

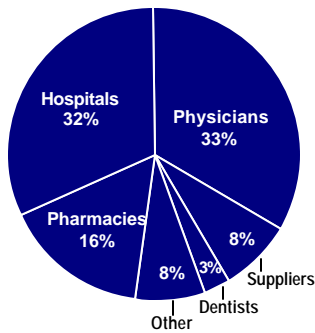
The Payment Review Program

August 30, 2001

"A very small percentage of providers are responsible for the majority of overpayments. Out of 9,432 providers reviewed – 83 providers are responsible for 63 percent of the billing errors found."

Providers Receiving Overpayment Notices

Based on Three Years Medicaid Claims Data



Overpayments as of June 29, 2001
TOTAL = \$3.2 million

Examples of Overpayments

A provider submitted duplicate claims for 667 crown preparation services.
Cost to the taxpayer: **\$22,496**

A provider billed for acne medication for a 30-day period.
Cost to the taxpayer: **\$24,000**

A provider billed for more diapers than allowable within the limit.
Cost to the taxpayer: **\$18,592**

A provider submitted 232 inappropriate claims for oxygen.
Cost to the taxpayer: **\$86,000**

THE DEPARTMENT OF SOCIAL AND HEALTH SERVICES (DSHS) provides medical benefits for two out of every five children in Washington State. Health care costs have almost doubled since 1989 while spending limits have slowed budget growth. As the demand and costs for social and health care services continues to grow, available state and federal funding continues to diminish. In addition, public demand for economy and accountability in government spending is increasing.

For decades, DSHS has been conducting post-payment claim reviews as required under federal regulations, Title 42 CFR Parts 456 and 477. In June 2000, the Washington State Legislature directed DSHS to review claims more accurately and efficiently by applying new technologies. Subsequently, the Payment Review Program (formerly the Payment Integrity Program) – modeled after other states' experience – was established to identify vendor overpayments, recover and return taxpayer dollars to the DSHS budget, and prevent future overpayments.

The Payment Review Program (PRP) is now reviewing data from DSHS payment systems and identifying the source of overpayments. This allows the department to identify errant or fraudulent billings, collect Medicaid overpayments, and improve the system so errors are prevented in the future. Corrective steps may include edits to computer payment systems, revisions to internal billing policies, or steps to streamline agency processes. Since 69 percent of the department's \$7 billion annual budget goes directly to vendors in the form of payments, DSHS is committed to improving the integrity of these systems.

PRP's First Year Experience

Since implementation of the new system in July 2000, PRP has reviewed three years of Medicaid claims data submitted by a variety of providers. As of June 2001, DSHS has sent over 1,000 overpayment letters identifying overpayments totaling more than \$3.2 million in billing errors, of which \$1.6 million has been collected. DSHS expects to see an additional \$4.0 million by adding edits to the payment system and making necessary policy changes to prevent inappropriate billings in the future.

In addition, PRP has also documented \$288,241 in cost avoidance due to system corrections. An additional \$462,260 is pending the outcome of more recent system changes. Collections have been returned to the DSHS Medicaid budget to continue healthcare services.

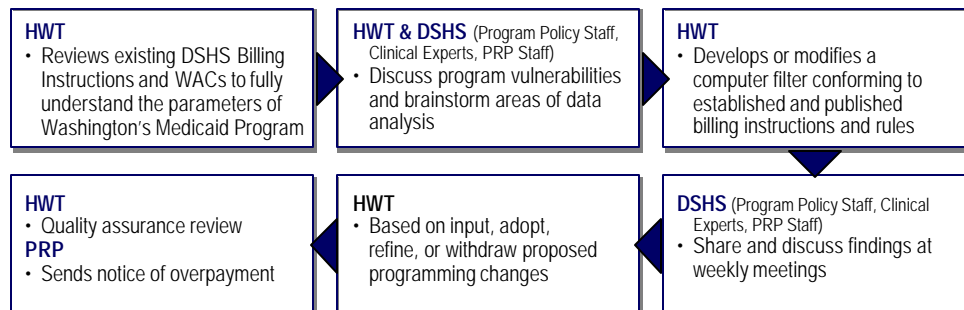
PAYMENT REVIEW PROGRAM CONTACTS

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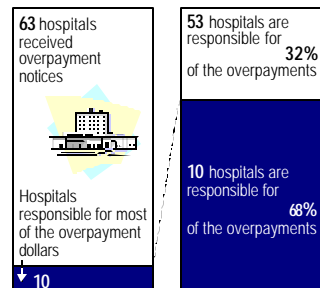
Our Website
www.dshs.wa.gov/prp

A Thorough and Accurate Overpayment Identification Process



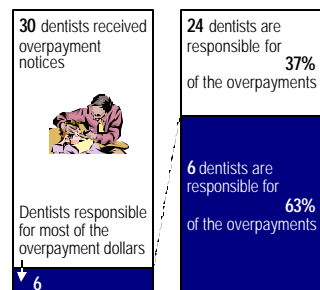
Hospital Overpayments

July 2000 through June 2001



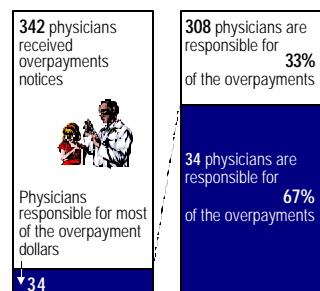
Dentist Overpayments

July 2000 through June 2001



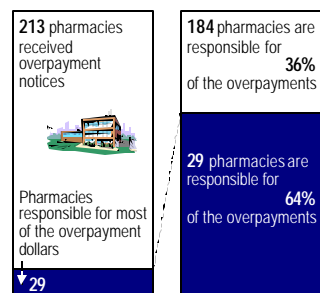
Physician Overpayments

July 2000 through June 2001



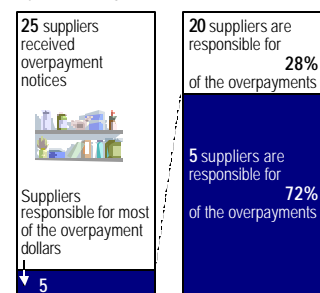
Pharmacy Overpayments

July 2000 through June 2001



Supplier Overpayments

July 2000 through June 2001



PRP Will Bring Noticed Improvements to Many Areas of the Medicaid Program

PRP was established not only to recover overpayments to return to the Medicaid budget but also to evaluate DSHS' Medicaid payment system to improve our payment process. PRP is beneficial to:

- **Medicaid Recipients** – Returning the recovered overpayment dollars back into the Medicaid budget enables recipients to continue to receive services.
- **Medicaid Providers** – Clarifying and streamlining billing instructions and rules should make billing Medicaid easier and more efficient for providers.
- **DSHS** – Adding edits to our payment systems will prevent inappropriate billings from being paid in the first place.

Working With Providers

Since the program's inception, Payment Review Program staff has worked closely with the provider community, offering briefing sessions, presentations, and progress reports. Presentations have been provided to the:

- Washington State Medical Association
- Washington State Hospital Association
- Washington Health Care Association
- Washington Association of Homes and Services
- Pharmacy Association
- Washington Dental Association

PRP employees have also attended several meetings of the Washington State Medical Association State Health Plans Liaison Committee to provide regular updates on PRP activities.

DSHS is currently participating with members of the Washington State Medical Association in a workgroup to discuss specific aspects of the program. DSHS welcomes comments and suggestions from providers who have received overpayment notices. It is important for DSHS to understand how the program affects the providers and how we can improve the process.

PRP also maintains a website at www.dshs.wa.gov/prp/ to further provide information and solicit comments about the program.

Providers Have Multiple Dispute Resolution Options

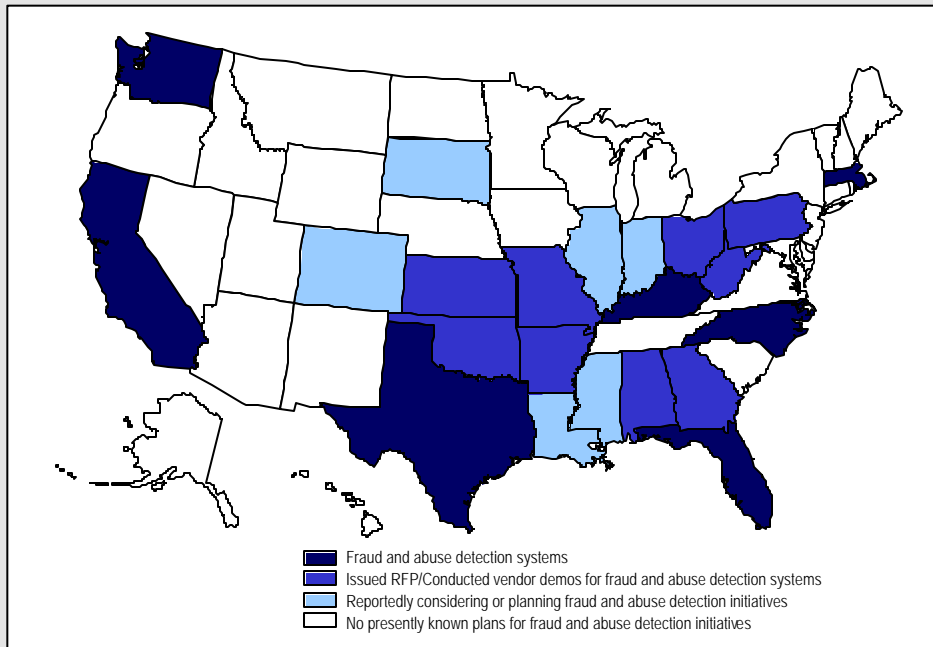
DSHS works with providers to help them understand their overpayments and resolve any disputes. Provider overpayment notices inform providers that they have two different processes to dispute their overpayment.

- **Informal Dispute Resolution** – DSHS/PRP has established a toll-free number (staffed by HWT, Inc.) for providers to call with questions or concerns about the overpayment determination. Providers can supply documentation to refute overpayment findings.
- **Formal Dispute Resolution** – Providers may also request an administrative hearing conducted by an Administrative Law Judge from the Office of Administrative Hearings to dispute an overpayment finding.

Overpayment issues are not reported by PRP to national healthcare integrity databanks or state disciplinary boards.

NATIONAL COMPARISON

Washington's Private Insurers and Other States Doing Similar Work



Nationwide, private insurers have – as a matter of good business practice – been implementing programs to recover and prevent medical insurance overpayments.

The DSHS Payment Review Program represents Washington State's effort to keep pace with private sector initiatives to minimize these losses. Typically, private insurers conduct post-payment reviews using contracted vendors and customized software programs.

Private insurers, like DSHS, are also enhancing their pre-payment review efforts by adding more system edits to prevent overpayments. In addition, private insurers also have staff dedicated to use the customized software to identify overpayments.

Other states, like Washington, are using advanced fraud and abuse detection systems and data warehouses to identify and recover overpayments. Though state contracts differ and fraud and abuse detection system approaches vary across the nation, all that have adopted these programs have identified and recovered impressive savings. More states are issuing Request for Proposals for fraud and abuse detection systems.

CLOSEUP

Three States' Progress

Kentucky – Kentucky hired a contractor in 1998 to spend one year identifying overpayments and one year collecting them. Based on data analysis from July 1998 to June 1999, the contractor identified and sent out letters requesting repayment of \$7.4 million dollars. As of December 2000, they had collected \$5.1 million dollars. Kentucky has just signed a new contract to conduct further analysis and send out additional overpayment letters.

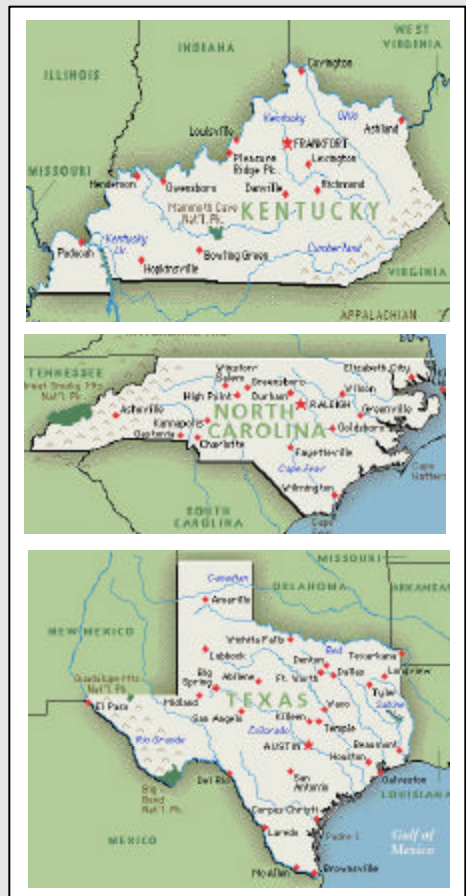
North Carolina – North Carolina began enhancing and automating their fraud and abuse detection system through a phased approach. In 1997 they began by adding a data warehouse with direct query ability. Savings identified for recovery were:

Fiscal Year 1997	\$3.5 million
Fiscal Year 1998	\$4.8 million
Fiscal Year 1999	\$8.0 million

North Carolina has only recently implemented their advanced fraud and abuse detection system, which will allow the running of algorithms and models. Information is expected soon that will identify the savings attributable to these items.

Texas – Texas was mandated by their legislature, as was DSHS, to implement a comprehensive fraud and abuse detection system in 1998. Texas used a comprehensive, phased-implementation approach. Savings identified for recovery to date are:

Fiscal Year 1999	\$3.2 million
Fiscal Year 2000	\$6.1 million



PRP Collection Report

Through June 29, 2001

Dollars Referred for Collection
\$3.2 million

Dollars Collected
\$1.6 million

A Note About PRP's Contractors

In March 2000, after conducting a competitive acquisition, PRP contracted with HWT, Inc. in Portland, Maine and subcontractor HNC Software, Inc. of San Diego, California for a state of the art system for the detection of billing and payment errors.

The contract between DSHS/PRP and HWT, Inc. is a fixed rate contract, meaning that HWT is paid a negotiated flat rate that does not fluctuate based upon the level of overpayments identified.

Persons with disabilities or special needs may call the Payment Review Program at **360.664-5452** and request a hard copy.

This paper is available Electronically at:
<http://www.dshs.wa.gov/prp>

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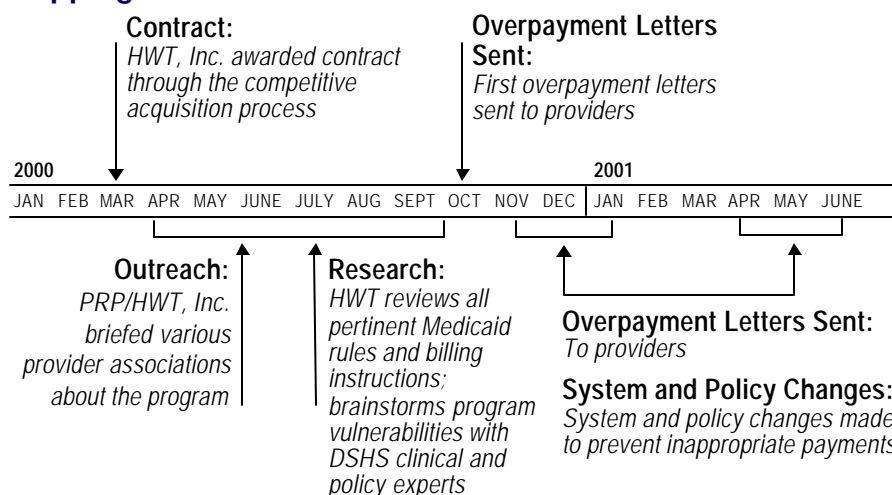
Washington Highlighted in Recent GAO Report

In June 2001, the United States General Accounting Office (GAO) issued a report titled, *State Efforts to Control Improper Payments Vary*. The report asserts that improper Medicaid payments drain vital program dollars, which hurt recipients and taxpayers. The report also points out that because of the size and nature of the Medicaid program, it is at risk to lose billions of dollars in improper payments.

The GAO further reports that preventing improper payments can be a cost-effective way to protect program dollars; however, pre-payment reviews cannot catch all erroneous claims so Medicaid programs must conduct post-payment reviews.

Due to the efforts of the Payment Review Program, Washington state was highlighted in the GAO report as one of the forerunners in the use of state-of-the-art technology to detect billing and payment errors.

Recapping Year One



PRP Plans for the Future

In the future PRP plans to load, review, and apply algorithms to Social Service Payment System (SSPS) payment data. SSPS contains payment information for a variety of services, which include child daycare, services for mental health and developmentally disabled clients, and various aging and adult services.

PRP will continue to focus on the prevention of inappropriate payments. Some of the methods PRP may use to prevent inappropriate payments are to establish additional computer edits in our payment systems, manual review of claims prior to payment, and educate providers on proper billing practices.

